

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 639 – SB 783

April 3, 2013

SUMMARY OF ORIGINAL BILL: Specifies that claimants who do not make a reasonable effort to secure work shall be disqualified from receiving unemployment benefits.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

SUMMARY OF AMENDMENTS (004966, 006221): Amendment 004966 deletes all language after the enacting clause. Deletes current definition of “base period” and replaces it with a new definition requiring the last four quarters of a benefit period to be used when the first quarter was used in a previous benefit year. Deletes requirement to use the last four quarters of the five quarter period when insufficient wages are available in the first quarter to qualify for benefits. Adds to the definition of “misconduct” any conduct constituting a criminal offense for which the claimant has been convicted or charged that involves dishonesty arising out of the claimant’s employment. Eliminates the one-year limitation on reconsideration for unemployment claims, if the claimant is subsequently convicted of a misdemeanor or felony which caused the separation from the employer, provided the employer gives notification of the conviction to the Department of Labor and Workforce Development. Requires annual training for all unemployment hearing officers. Increases, from 1,000 to 1,500, the number of weekly random verification audits of unemployment benefit recipients that the Department is required to conduct for determining if false work search information has been provided for at least eight weeks. Amendment 006221 adds language to the bill as amended, deleting the requirement that the administrator waive the collection of any overpayment in certain situations and replaces it with an authorization. Requires a waiver only be given by the administrator following established procedures.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:

Increase State Expenditures –

Exceeds \$130,000/One-Time/General Fund

Decrease State Expenditures –

Exceeds \$10,250,000/Unemployment Insurance Trust Fund

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Other Fiscal Impact – Based on information provided by DLWD, federal administrative funds may be shifted from other projects to fund the one-time costs. No increase in overall federal funding is expected. The precise amount of surplus federal funds available that are currently designated to a different project cannot be determined. Any use of federal administrative expenditures for the Unemployment Insurance program is subject to approval by the United States Department of Labor.

Assumptions for the bill as amended:

- The Department of Labor and Workforce Development has not provided information for this bill as amended to assist in determining a more precise fiscal impact.
- Under current law, the Department of Labor and Workforce Development (DLWD) is required to audit 1,000 claimants weekly. These audits are conducted by the existing computer system.
- DLWD can handle annual training for unemployment hearing officers within existing resources without an increased appropriation or reduced reversion.
- A one-time increase in state expenditures of \$30,000 for programming changes for the definition of misconduct and base period, the exception to the one-year rule, and a change in the audit requirement.
- A one-time increase in state expenditures for programming changes to the DLWD's benefit system exceeding \$100,000.
- An increase in verification audits will lead to additional claimants being disqualified from receiving benefits. The most recent DLWD labor market report showed an average duration for receiving benefits of 16 weeks; however, those claimants who have filed false work information for at least eight weeks are assumed to exhaust 26 weeks of benefits currently. The average weekly benefit amount is \$236.
- More claimants will be encouraged to comply with the requirements due to increased enforcement. The precise number of additional claimants that will be encouraged to comply with the requirements cannot be determined.
- At least two additional claimants per week will be disqualified for at least 10 weeks of additional benefits.
- A recurring decrease in state expenditures from the Unemployment Insurance Trust Fund exceeding \$245,440 (2 claimants x 10 benefit weeks x \$236 x 52 weeks per year).
- The additional cases being reconsidered after the one-year time period may result in an increase in recovered overpayments from the Unemployment Insurance Trust Fund. This would be considered a decrease in state expenditures from the Fund.
- Deleting the requirement to use the last four quarters of the five quarter period, when insufficient wages are available in the first quarter, may result in a decrease in average wages paid in the highest two quarters and may further result in some claimants no longer qualifying for benefits.
- In 2009, the Department of Labor and Workforce Development estimated an increase in recurring state expenditures from the Trust Fund exceeding \$25,000,000 as a result of implementing the alternative base period as established in Public Chapter 550.

- Without additional information from the Department of Labor and Workforce Development, a more precise estimate cannot be determined.
- The additional decrease from changes to the base period made in this bill as amended will result in a decrease in recurring state expenditures to the Trust Fund exceeding \$10,000,000.
- Adding language to the definition of misconduct may result in additional disqualifications. The precise number cannot be reasonably determined.
- The total recurring decrease in state expenditures is reasonably estimated to exceed \$10,250,000.
- Based on information provided by DLWD, federal administrative funds may be shifted from other projects to fund a portion of one-time costs. No increase in overall federal funding is expected. The precise amount of surplus federal funds available that are currently designated to a different project cannot be determined. Any use of federal administrative expenditures for the Unemployment Insurance program is subject to approval by the United States Department of Labor.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise".

Lucian D. Geise, Executive Director

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